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FOR ACTION

REVIEW OF THAT PART OF THE UNICEF GREETING CARD AND RELATED OPERATIONS LOCATED IN MANHATTAN

SUMMARY

The present report was prepared in response to Executive Board decision 1993/26 (E/ICEF/1994/17) on headquarters office accommodation, in which the Board requested the Executive Director to review that part of the Greeting Card and related Operations (GCO) located in Manhattan with the aim of ensuring its most efficient and cost-effective operation, including its location, and to report thereon to the Board in 1994.

The Executive Director undertook that review as part of the preparation of the GCO work plan and budget for 1994, which was approved by the Executive Board at its 1994 annual session (E/ICEF/1994/13 (Part III), decision 1994/A/9). As a result, the Executive Director recommends that the Executive Board decide that GCO, in the interest of providing the best service to its partners in optimizing income from the private sector for UNICEF-supported country programmes, continue to maintain staffing levels in New York and Geneva as outlined in the present report and as approved by the Executive Board in the 1994 work plan (E/ICEF/1994/AB/L.6).

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I. BACKGROUND

1. In decision 1993/26 (E/ICEF/1994/17) on headquarters office accommodation, the Executive Board requested the Executive Director to review that part of the Greeting Card and related Operations (GCO) located in Manhattan with the aim of ensuring its most efficient and cost-effective operation, including its location, and to report thereon to the Board in 1994.

2. Even prior to the Executive Board's decision, in 1992, GCO had begun to examine its efficiency and cost-effectiveness by conducting a year-long comprehensive internal management review. As a result of that examination, which was undertaken in consultation with National Committees for UNICEF, GCO revised its organizational structure to strengthen its overall capabilities to provide better assistance to National Committees and field offices in increasing the financial resources available to UNICEF from the private sector. The results of the review were described in the GCO work plan and budget for 1993 (E/ICEF/1993/AB/L.6), which were approved by the Executive Board at its 1993 regular session (E/ICEF/1993/14, decision 1993/24).

3. Following the Board's 1993 session, GCO began to implement the decision of the Executive Board with regard to the reorganization along functional lines and to follow up on all the strategic plans approved by the Board. Thus, GCO was able to conduct the studies, evaluations and research required to increase product sales, enhance private-sector fund-raising income and streamline operations. Those measures were described in the GCO work plan and proposed budget for the 1994 season (E/ICEF/1994/AB/L.6), which were approved by the Executive Board at its 1994 annual session (E/ICEF/1994/13 (Part III), decision 1994/A/9). The steps taken to streamline operations included a net reduction of 38 posts, the redeployment of 7 international Professional posts to the field, the consolidation of production facilities in North America and Europe and the establishment of regional support centres in Asia and Latin America.

4. Currently, GCO headquarters staff are divided between two locations, New York and Geneva. Geneva is an important location because some 75 per cent of GCO business is in Europe and because of the proximity of the National Committees, 25 (out of 35 total) of which are located in Europe. As approved by the Executive Board in May 1994, there are 80 GCO posts in Geneva (36 international Professional and 44 General Service) servicing the National Committees and covering marketing, private-sector fund-raising, operations and finance, as well as 9 posts (1 international Professional and 8 General Service) in the European warehouse and distribution centre.

5. In Manhattan, the Executive Board has approved 89 posts (41 international Professional and 48 General Service). There are also 7 posts (2 international Professional and 5 General Service) at the distribution centre located outside Manhattan. The Manhattan-based staff work in the areas of marketing, private-sector fund-raising, operations and finance, focusing on North and South America and Asia.

II. REVIEW OF THE GREETING CARD AND RELATED OPERATIONS

6. In preparing the 1994 work plan and budget, the Executive Director bore in mind the Executive Board's request for a review of that part of GCO which is located in Manhattan, and indeed such a review was part of the preparatory process. The review focused on the need to avoid duplication, increase efficiency and provide the best possible service both to National Committees and field offices. As a result, for example, as stated in paragraph 3 above, seven posts were redeployed from headquarters to the field.

7. The Executive Director also considered various alternatives for the location of GCO, considering both the financial and the non-financial factors of these alternatives. The various scenarios reviewed were: (a) maintaining the status quo, as outlined in paragraphs 4 and 5 above, and as approved by the Executive Board in decision 1994/A/9; (b) consolidation of the staff now based in New York and Geneva in New York; and (c) consolidation of those staff in Geneva. The financial and non-financial costs of those scenarios are reviewed below.

Status quo

8. As mentioned above and as outlined in the 1994 work plan and budget, GCO headquarters staff currently are located in New York and Geneva. While the Geneva staff focus on the vital European markets and on developing the markets in Eastern Europe, the Middle East and Africa, the New York staff perform similar functions, but for very different markets in the North and South America and Asia and the Pacific regions. Those markets, which have enormous potential, have very different needs. The current distribution of staff within GCO was established with those region-specific requirements in mind. While consolidating the two offices in one location could result in the reduction or downgrading of some posts, it possibly would be at the expense of lost revenue, declining service to partners and diminished attention to new market development.

Consolidation in New York

Financial costs

9. Merging the two offices could possibly result in the reduction or downgrading of approximately 20 posts (10 Professional and 10 General Service), with estimated annual savings in staff costs of $1.7 million, which, when added to the favourable rental costs in New York, would result in annual savings of approximately $4 million (see annex I). Those savings would be offset by one-time relocation costs for the staff whose posts would be redeployed and termination indemnity costs for the staff in abolished posts, totalling $1.6 million. There also would be one-time termination indemnity for Geneva General Service staff, estimated at $2.6 million.

Non-financial costs

10. As mentioned in paragraph 4 above, 25 of the 35 National Committees for UNICEF are based in Europe. GCO must work closely with the European National

Committees, which are vital partners. In fact, the GCO mission statement specifies that GCO raise funds for children, in partnership with National Committees, field offices and others. In addition, some 75 per cent of current GCO business is in Europe. Reducing the GCO presence in Geneva would send the wrong message to the National Committees about the importance of their partnership with and contribution to UNICEF, and could jeopardize their significant contribution to the organization.

Consolidation in Geneva

Financial costs

11. If the offices were consolidated in Geneva, the higher staff and rental costs would increase GCO annual expenses by approximately $900,000 (see annex I). There also would be one-time relocation costs for redeployed staff and termination indemnity costs for staff in abolished posts, estimated at $1.7 million (see annex II), in addition to one-time termination costs for General Service staff, estimated at $1.9 million (see annex III).

Non-financial costs

12. GCO is an integral part of the UNICEF external relations group and needs to be in close proximity to external relations and other divisions. GCO needs to maintain daily contact with the Programme Division, the Programme Funding Office and the divisions of Financial Management, Information and Public Affairs to ensure a coordinated approach to the funding of country programmes. In addition, all policy is to be made at New York headquarters, so the Director and appropriate senior staff must be based there.

13. Perhaps more importantly, although 75 per cent of current GCO business is in Europe, the fastest-growing markets with the greatest future potential are in North America, Asia and Latin America. GCO needs to maintain a presence in those regions, which is why the regional support centres have been established in Brazil and Singapore. While those support centres will provide functional, technical and financial support to the key markets in their respective regions, it is still essential that certain functions be maintained at headquarters.

Non-financial costs of consolidation at either location

14. Consolidating GCO in either New York or Geneva would cause considerable disruption of its work over a long period of time, putting UNICEF private-sector income at serious risk. The effectiveness of GCO has been demonstrated by the fact that its actual consolidated net operating income has consistently grown from $15.5 million in 1984 to $111.4 million in 1992.

15. In any case, GCO would need to maintain a liaison office at the location of the closed office to support partners in the region. The Executive Director is of the opinion that the operational autonomy of GCO must be protected regardless of its office location. In its approval of the Special Supplement Greeting Card Operation to the UNICEF Financial Regulations and Rules and in its acceptance of the separate commercial-style work plan and budget for GCO, the Executive Board has recognized and reiterated the need for this autonomy.

III. CONCLUSIONS AND RECOMMENDATION

16. The GCO budget and work plan, which provide detailed estimates of expenditure, staffing requirements and income, are reviewed annually by the Executive Board. In order to achieve the high-income goals mandated by the Board, GCO continuously reviews and monitors its staffing requirements and expenditures so as to ensure its cost-effectiveness and efficiency. In doing so, GCO must support its most important partners, the National Committees, both in markets where current income is high and in markets with important growth potential. Providing the National Committees with the support they require is necessary for GCO to meet the income goals established by the Executive Board. Supporting the National Committees in Europe, as well as in North and South America and Asia, requires a GCO presence both in Geneva and New York.

17. Therefore, the Executive Director recommends that the Executive Board approve the following draft decision:

The Executive Board

Decides that GCO, in the interest of providing the best service to its partners in optimizing income from the private sector for UNICEF-supported country programmes, continue to maintain staffing levels in New York and Geneva as outlined in the present report and as approved by the Executive Board in the 1994 work plan (E/ICEF/1994/AB/L.6).

ANNEX I

COMPARISON OF ANNUAL STAFF AND RENTAL COSTS OF CONSOLIDATED GCO OFFICES IN NEW YORK , CONSOLIDATED GCO OFFICES IN GENEVA AND WITH AN OFFICE EACH IN NEW YORK AND GENEVA BASED ON GCO 1994 BUDGET
(In millions of United States dollars)

						Annual estimated (increase) savings	
	Consolidated in Geneva	Consolidated in New York	Separate locations			Consolidation in Geneva vs. two locations	Consolidation in New York vs. two locations
			New York	Geneva	Total		
Rent a/	1.4	0.7	0.6	0.5	1.1	-0.3	0.4
Staff b/	17.8	13.6	7.7	7.8	15.5	-2.3	1.9
Subtotal	19.2	14.3	8.3	8.3	16.6	-2.6	2.3
Less: Salary costs of the posts that could be abolished	-1.7	-1.7				1.7	1.7
Revised total	17.5	12.6	8.3	8.3	16.6	-0.9	4.0

a/ Including operating costs.
b/ International Professional and General Service.

ANNEX II

CALCULATION OF ONE-TIME RELOCATION AND TERMINATION INDEMNITY COSTS RESULTING FROM A CONSOLIDATION OF GCO OFFICES

Relocation costs	New York	Geneva	Consolidation in New York	Consolidation in Geneva
			(In United States dollars)	
Number of Professional posts (per GCO 1994 work plan and budget)	41	36		
Less : Abolished posts resulting from a consolidation	5	5		
Remaining posts	36	31		
Estimated cost per staff member :				
If moved to New York: $26,000				
If moved to Geneva: $27,000				
Estimated relocation costs:				
If consolidated in New York (31 Geneva posts x $26,000)			806 000	
If consolidated in Geneva (36 New York posts x $27,000)				972 000
Add: Termination indemnity for the abolished posts			760 000	740 000
Total estimated costs for relocation and termination indemnity			1 566 000	1 712 000

ANNEX III

CALCULATION OF ONE-TIME TERMINATION INDEMNITY COSTS FOR GENERAL SERVICE STAFF RESULTING FROM A CONSOLIDATION OF GCO OFFICES

	New York	Geneva	Consolidation in New York	Consolidation in Geneva
			(In United States dollars)	
Number of General Service posts (per GCO 1994 work plan and budget)	48	44		
Average net salary (in United States dollars)	40 000	60 000		
Total termination indemnity:				
If consolidated in New York (44 posts x $60,000)			2 640 000	
If consolidated in Geneva (48 posts x $40,000)				1 920 000